

persons. A cash credit of ;£100 authorizes the person in whose favor it is granted to draw upon the bank for that amount, but he is not usually expected to draw the entire sum at once and is charged with interest only on the amount actually drawn and not repaid at any given time. The system differs, therefore, from the discounting of a bill of exchange in the fact that the money can be drawn piece-meal instead of in bulk and interest is charged only upon the portion of the loan actually outstanding. If payments are made from time to time into the bank, they are credited and the interest charged is reduced. The persons who vouch for the holder of the cash credit are called cautioners or sureties.

A cash credit, therefore, is in the nature of permission to overdraw an account up to a fixed limit. Cash credits are rarely given for sums below £100 and generally range from £200 to £500. The banks prefer these small sums, but sometimes grant such credits for £1000 or even larger sums. Payments upon these credits are made in the notes of the bank, which are thus kept in active circulation. Such a credit is not allowed to lapse into a dead loan of the aggregate amount, but it is expected that payments will intermingle with drafts upon it. It is intended as a working capital for men of good character engaged in trade or agriculture. It has the advantage over the ordinary method of loans by discount, not only that it is more economical to the borrower, but that it keeps within the control of the bank all sums not in active business use. The holder of a cash credit is not only benefited by paying into his account all the cash which he may receive from day to day, but he reduces the bank's outstanding loans by that amount and enables it to increase them in other directions.

The advantage of this system to Scotch industry has been incalculable, measured not only in shillings and pounds to the borrower, but in the stimulus which it has given to the thrift, frugality, honesty, and morality of the people. The two cautioners keep an eye upon the young man for whom they have vouched, have a right to know the state of his accounts, and if they find that his business is badly conducted,